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India

Cotton and Products Update

2013

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Report Highlights:
India's 2013/14 cotton production is forecast at a record 29 million 480 lb bales (37 million 170 kg bales/6.6 mmt), up 1.5 million 480 lb bales from the most recent FAS Mumbai estimate and 1.0 million 480 lb bales from the latest USDA Washington estimate. Area is estimated lower and yields are expected to be the highest since 2007/08. Strong monsoon rains coupled with adequate sunshine over the past few weeks point to good yield prospects. 2013/14 exports are expected to reach 7.0 million 480 lb bales, up from the previous FAS Mumbai estimate of 5.8 million bales and the USDA Washington estimate of 6.25 million bales.

Post:
New Delhi

Commodities:
Cotton

Cotton India	2011/2012 Market Year Begin: Aug 2011		2012/2013 Market Year Begin: Aug 2012		2013/2014 Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,200	12,200	11,800	11,800	12,000	11,800
Beginning Stocks	11,174	10,964	9,444	9,084	8,344	6,634
Production	27,500	27,500	26,500	26,500	28,000	29,000
Imports	600	400	1,500	1,150	1,200	1,500
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	39,274	38,864	37,444	36,734	37,544	37,134
Exports	11,080	11,080	7,600	7,600	6,250	7,000
Use	19,750	19,700	22,500	22,500	23,250	23,000
Loss	-1,000	-1,000	-1,000	0	-750	0
Total Dom. Cons.	18,750	18,700	21,500	22,500	22,500	23,000
Ending Stocks	9,444	9,084	8,344	6,634	8,794	7,134
Total Distribution	39,274	38,864	37,444	36,734	37,544	37,134
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Record Production Expected

Heavy early-season monsoon rains and clouds have slackened, providing excellent growing conditions across much of India's cotton producing area. For the period June 1 to September 2, cumulative rainfall was normal or above normal across all but eastern India. However, for the week ending August 28, rainfall was below normal across much of India, providing adequate sunshine and enabling plants to take advantage of the soil moisture supplied by the start of the monsoon. 2013/ 2014 production is expected to reach a record 29 million 480 lb bales from a marginally reduced area of 11.8 million hectares, the highest all-India yield since 2007/08. Recent field travel to Andhra Pradesh and Gujarat and a phone survey of contacts in other states point to considerable optimism concerning the upcoming harvest. The forecast is based on the assumption of normal conditions throughout the balance of the monsoon, suggesting that sunshine will be adequate. The forecast is tempered by the expectation of one significant weather event (cyclone in the Bay of Bengal or unusually heavy rains or high winds) that could affect yields in a major producing area. In our estimation, one significant weather event is normal during the peak October-to-December harvest period. In general, harvest is expected to start more or less on time, heavy rains delayed planting in some areas and rains may have had some effect on the pace of crop maturation; consequently, harvest in some areas could be delayed by a week or two.

Central India: Heavy rains across Madhya Pradesh and the important Vidarbha area of Maharashtra (an average total of 47 inches since June 1) throughout much of the monsoon are expected to affect boll formation, boll retention and yields. There was little relief from heavy rains during the week ending August 28. Planted area in Maharashtra and Madhya Pradesh are unchanged from a year ago as farmers have opted to plant soybeans rather than expand cotton area. Yields are forecast below the five-year average in both Madhya Pradesh and Maharashtra. In Gujarat, area is estimated 13 percent higher than the drought-affected 2012/13 area and yields are forecast two percent higher than the five-year average. Gujarat is expected to add 1.6 million 170 kg bales to the cotton supply in 2013/14. Recent crop travel to Gujarat suggests that the crop is progressing well and rainfall has been well distributed in an area where rainfall is traditionally unpredictable.

Southern India: Area in Andhra Pradesh is estimated 10 percent lower as farmers shifted to soybeans in the Telangana area and chilies in coastal areas. Yields are expected to improve significantly over the past two years, but are currently forecast below the five-year average of 577 kg per hectare. Recent crop travel suggests that the crop is maturing nicely under good weather conditions. Andhra Pradesh often receives late season storms, but if weather conditions are optimal during harvest, yields could be even higher. In Karnataka, local crop watchers are enthusiastic about the progress of the crop. Weather conditions have been good, area is higher than a year ago, and yields are forecast 15 percent higher than the five-year average.

Northern India: Cotton in the northern states of Punjab, Haryana and Rajasthan is irrigated and area is generally stable from year to year. Yields are forecast higher than the five-year average, but similar to recent yield levels. The north typically starts the cotton harvest and late monsoon rains can lead to dropped bolls and lower yields as harvest progresses.

Arrivals and CCI Stocks Behaving as Expected

2012/13 arrival data has fizzled as it often does towards the end of the marketing year. As of July 14, the last date for which official data is available, arrivals had reached 33.1 million 170 kg bales, 500,000 bales behind the year ago pace. Sources estimate arrivals from mid-July to mid-August at 500,000 170 kg bales, putting the estimated pace of arrivals within close striking distance of the current 2012/13 production estimate of 34 million 170 kg bales (27.5 million 480 lb bales/5.8 mmt). At this stage, it is not clear if members of the Cotton Advisory Board will arbitrarily add to stocks of cotton as they did a year ago in order to augment supply. However, a late season upward revision of stocks may again be in the offing depending on the pace of imports and exports during the balance of the local marketing year. Estimated CAB stocks could drop as low as 1.5 million 170 kg bales on October 1.

As of late August, the Cotton Corporation of India had sold 1.8 million 170 kg bales from its stocks of 2.3 million 170 kg bales. While CCI has permission to export cotton, it is more likely that cotton will continue to be lifted for use in the local market. CCI is expected to liquidate most if not all of its stocks before the onset of the 2013/14 harvest.

How much cotton will India export in 2013/14?

India's cotton exports have defied expectations for the past two marketing years, largely because of stronger than expected exports to China. Aside from China, India's primary markets are Bangladesh, Vietnam, other Southeast Asian markets and occasionally Pakistan. At this stage, it seems unlikely that the Government of India will impose export restrictions on cotton, at least to start the marketing year. The government has improved the quality of its export tracking system and seems to have closed most of the procedural loopholes that exporters exploited in the past. The 2012/13 marketing year has been free of export market intervention and the traditional tug and pull between the interests of exporters and importers has been quiet. All of which suggests that exports will proceed without restrictions during at least the early part of the marketing year.

Sans China, India's monthly cotton exports average about 275,000 170 kg bales per month, for an estimated annual minimum of 3.3 million 170 kg bales million bales (2.5 million 480 lb bales/560,000 mmt). On August 16, 2013, India signed a memorandum of understanding (MOU) with Bangladesh covering a number of aspects of two-way cotton and textile trade. Among the items in the MOU is a provision covering Bangladesh's cotton security, an agreement that might eventually establish a minimum level of exports to Bangladesh. The details of how the agreement will be implemented have not yet been finalized, but it appears unlikely that the agreement would significantly change the volume of cotton exports to Bangladesh.

The rupee has devalued significantly over the past year, falling from Rs. 45 per dollar to Rs. 65 per dollar. Even with the weaker Rupee, Indian cotton is currently priced four cents per pound higher than the Cotlook A Index. At Rs. 5,850 per 100 kg, farm prices have increased 20 percent since April, the highest level since at least 2010, suggesting that domestic cotton supplies are exceptionally tight. Presumably, the onset of harvest will push Indian cotton lower and a weaker rupee will eventually make Indian cotton an attractive option. If Indian cotton is priced attractively, it will likely find a home somewhere, but the key unknown is how much cotton China will buy. Given a higher crop, a weaker rupee, a relatively tight global market outside of China, and the expectation that China will import a reduced but still significant volume of cotton, we estimate India's 2013/14 exports at 7.0 million 480 lb bales (9.0 million 170 kg bales/1.5 mmt.)

2011/12 Adjustments

As reported previously, changes to 2011/12 consumption and import estimates reflect official data.

Table 1a: Estimate of 2012/13 Cotton Exports

	170 kg	**Metric Tons**	**480 lb**
August Exports 1\	56,894	9,672	44,423
September Exports 1\	104,912	17,835	81,916
October Exports 1\	160,506	27,286	125,324
November Exports 1\	767,165	130,418	599,005
December Exports 1\	1,836,812	312,258	1,434,190
January Exports 1\	2,250,871	382,648	1,757,489
February Exports 1\	2,099,929	356,988	1,639,633
March Exports 1\	1,183,147	201,135	923,806
April Exports 1\	271,688	46,187	212,135
May Exports 1\	251,582	42,769	196,436
June Preliminary Exports 2\	406,235	69,060	317,190
July Estimated Exports 3\	300,000	51,000	234,241
Preliminary Total Aug-Jul	**9,689,741**	**1,647,256**	**7,565,788**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 1b: Estimate of 2013/14 Cotton Exports

	170 kg	**Metric Tons**	**480 lb**
August Estimated Exports 3\	250,000	42,500	195,201
Preliminary Total Aug	**250,000**	**42,500**	**195,201**

3\ FAS Mumbai estimate

Table 2a: Estimate of 2012/13 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	62,935	10,699	49,140
September Imports 1\	203,265	34,555	158,710
October Imports 1\	313,253	53,253	244,589
November Imports 1\	213,159	36,237	166,435
December Imports 1\	104,247	17,722	81,396
January Imports 1\	61,194	10,403	47,781
February Imports 1\	45,541	7,742	35,559
March Imports 1\	55,976	9,516	43,706
April Imports 1\	74,159	12,607	57,904
May Imports 1\	79,900	13,583	62,386
June Preliminary Imports 2\	142,771	24,271	111,476
July Estimated Imports 3\	170,000	28,900	132,737
Preliminary Total Aug-Jul	**1,526,400**	**259,488**	**1,191,819**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 2b: Estimate of 2013/14 Cotton Imports

	170 kg	Metric Tons	480 lb
August Estimated Imports 3\	100,000	17,000	78,080
Official Total Aug	**100,000**	**17,000**	**78,080**

3\ FAS Mumbai estimate

Table 3: Monthly Cotton Consumption by the Textile Sector

(Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.207
Sep	1.829	2.143	2.170	2.146
Oct	1.812	2.209	1.776	2.185
Nov	1.847	2.110	1.834	2.109
Dec	1.949	2.257	2.013	2.264
Jan	1.954	2.210	2.033	2.288
Feb	1.881	2.023	2.030	2.188
Mar	2.001	2.176	2.038	2.358
Apr	2.053	2.017	2.031	2.310
May	2.093	1.864	*2.128*	2.259
Jun	2.071	1.823	2.117	2.244
Jul	2.211	1.900	2.213	
Loss*	1.700	1.338	*1.000*	*2.000*
Total	**25.260**	**26.243**	**25.247**	

Source: Textile Commissioner

*Loss estimate from the Cotton Advisory Board

Table 4: Cotton Yarn Export Registration Data

Month	Quantity	Month	Quantity
	(Million kg)		(Million kg)
Aug-11	97.734	Aug-12 (P)	83.055
Sep-11	77.157	Sep-12 (P)	64.269
Oct-11	43.69	Oct-12 (P)	94.462
Nov-11	76.362	Nov-12 (P)	100.769
Dec-11	83.005	Dec-12 (P)	100.778
Jan-12	79.148	Jan-13 (P)	117.143
Feb-12	60.518	Feb-13 (P)	103.955
Mar -12 (P)	64.227	Mar-13 (P)	88.685
Apr -12 (P)	62.811	Apr-13 (P)	115.960
May -12 (P)	74.455	May -13 (P)	90.152
Jun -12 (P)	82.419	Jun-13 (P)	142.297
Jul -12 (P)	94.507	July-13 (P)	139.745
Total	**896.033**		**1,241.270**

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

Estimated Monthly Stock Position

Tables 5 and 6 provide an estimate of India's 2012/13 monthly cotton stock position on the respective USDA and Indian marketing years using USDA's (or a close approximation) of USDA's beginning stock estimate and the Cotton Advisory Board's beginning stock estimate.

Table 5: Monthly Stock Position
August/July Marketing Year -- 170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Aug-12	11,454,862	-	62,935	11,517,797	2,207,000	56,894	166,667	9,087,236
Sep-12	9,087,236	-	203,265	9,290,501	2,146,000	104,912	166,667	6,872,922
Oct-12	6,872,922	869,000	313,253	8,055,175	2,185,000	160,506	166,667	5,543,003
Nov-12	5,543,003	3,100,000	213,159	8,856,162	2,109,000	767,165	166,667	5,813,330
Dec-12	5,813,330	4,828,000	104,247	10,745,577	2,264,000	1,836,812	166,667	6,478,098
Jan-13	6,478,098	8,199,000	61,194	14,738,292	2,288,000	2,250,871	166,667	10,032,755
Feb-13	10,032,755	3,595,000	45,541	13,673,296	2,188,000	2,099,929	166,667	9,218,700
Mar-13	9,218,700	4,872,000	56,629	14,147,329	2,358,000	1,144,841	166,667	10,477,821
Apr-13	10,477,821	3,536,000	74,159	14,087,980	2,310,000	271,688	166,667	11,339,626
May-13	11,339,626	2,114,000	79,900	13,533,526	2,259,000	251,582	166,667	10,856,277
Jun-13	10,856,277	1,439,000	142,771	12,438,048	2,244,000	406,235	166,667	9,621,146
Jul-13	9,621,146	1,048,000	170,000	10,839,146	2,200,000	300,000	166,667	8,172,480
TOTAL		**33,600,000**	**1,527,053**	**141,922,829**	**26,758,000**	**9,651,435**	**2,000,000**	

Note: The arrivals for Aug and Sep 2013 are reflected in the 2012/13 Aug/Jul marketing year
FAS Mumbai estimates highlighted in red italics.

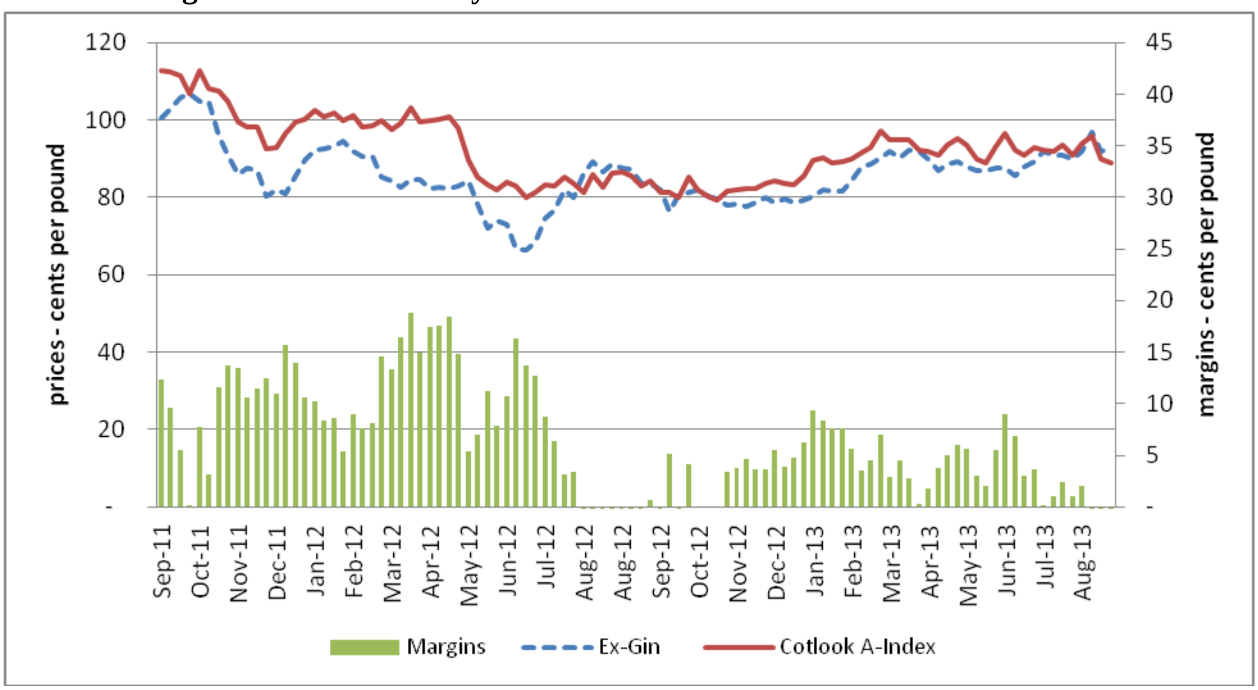
Table 6: Monthly Stock Position Using Cotton Advisory Board Stock Estimates
October/September Marketing Year/170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Oct-12	4,000,000	869,000	313,253	5,182,253	2,185,000	160,506	166,667	2,670,080
Nov-12	2,670,080	3,100,000	213,159	5,983,239	2,109,000	767,165	166,667	2,940,408
Dec-12	2,940,408	4,828,000	104,247	7,872,655	2,264,000	1,836,812	166,667	3,605,176
Jan-13	3,605,176	8,199,000	61,194	11,865,370	2,288,000	2,250,871	166,667	7,159,832

Feb-13	7,159,832	3,595,000	45,541	10,800,373	2,188,000	2,099,929	166,667	6,345,777
Mar-13	6,345,777	4,872,000	56,629	11,274,406	2,358,000	1,144,841	166,667	7,604,899
Apr-13	7,604,899	3,536,000	74,159	11,215,058	2,310,000	271,688	166,667	8,466,703
May-13	8,466,703	2,114,000	79,900	10,660,603	2,259,000	251,582	166,667	7,983,354
Jun-13	7,983,354	1,439,000	142,771	9,565,125	2,244,000	406,235	166,667	6,748,224
Jul-13	6,748,224	1,048,000	100,000	7,896,224	2,200,000	250,000	166,667	5,279,557
Aug-13	5,279,557	400,000	645,000	6,324,557	2,288,000	200,000	166,667	3,669,890
Sep-13	3,669,890	300,000	670,000	4,639,890	2,288,000	100,000	166,667	2,085,224
TOTAL		**34,300,000**	**2,505,853**	**103,279,753**	**26,981,000**	**9,739,629**	**2,000,000**	

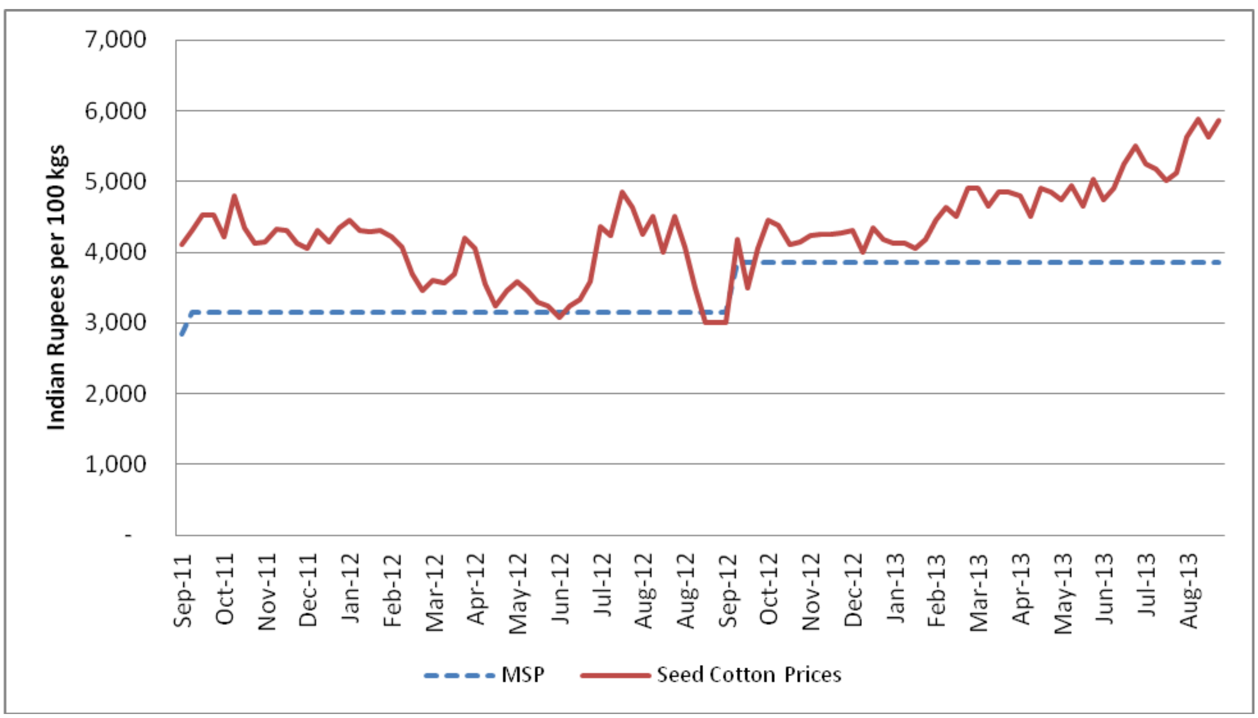
FAS Mumbai estimates highlighted in red italics.

Figure 1a: India Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index



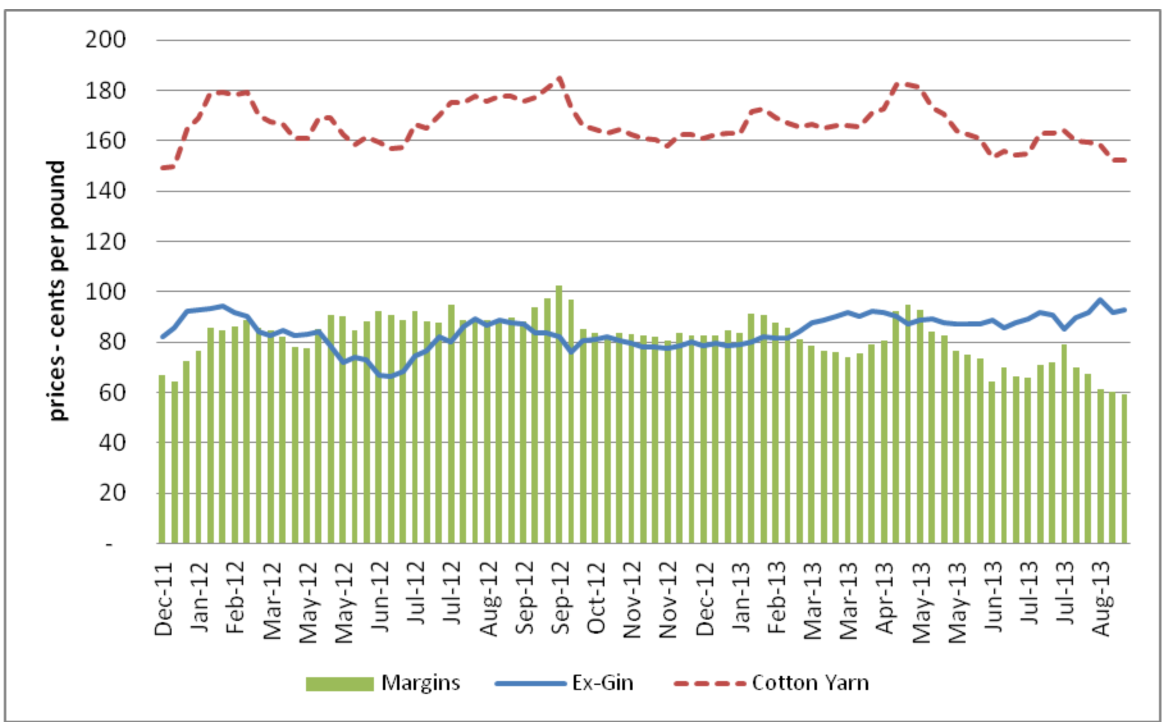
Source: Cotton Association of India
Cotlook A-Index

Figure 1b: India Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c: Spinning Margin -- India Weekly Shankar 6 Ex-Gin Price vs. Indian Cotton Yarn Price (40s)



Source: Cotton Association of India
Tecoya Trend

Table 7: AREA, PRODUCTION & YIELD OF COTTON IN MAJOR STATES
(AREA THA, PRODUCTION THOUSAND BALES OF 170 KGS, YIELD KGS/HA)

STATE		2011/12	2012/13	2013/14
Maharashtra	Area	4,125	4,146	4,150
	Production	6,825	6,825	7,700
	Yield	281	280	315
Gujarat	Area	2,962	2,400	2,700
	Production	11,680	8,380	11,000
	Yield	670	594	693
Madhya Pradesh	Area	706	608	600
	Production	1,730	1,730	1,500
	Yield	417	484	425
Punjab	Area	560	506	500
	Production	1,600	1,750	1,800
	Yield	486	588	612
Haryana	Area	641	614	600
	Production	2,300	2,100	2,100
	Yield	610	581	595
Rajasthan	Area	470	450	430
	Production	1,640	1,490	1,450
	Yield	593	563	573
Andhra Pradesh	Area	1,879	2,269	2,000
	Production	4,950	6,950	6,500
	Yield	448	521	553
Karnataka	Area	554	485	520
	Production	1,290	1,190	1,350

	Yield	396	417	441
Tamil Nadu	Area	133	126	120
	Production	430	380	400
	Yield	550	513	567
Others	Area	148	169	150
	Production	445	595	500
	Yield	511	599	567
Loose	Production	2,610	2,610	2,610
All-India	**Area**	**12,178**	**11,773**	**11,770**
	Production	**35,500**	**34,000**	**36,910**
	Yield	**496**	**491**	**533**